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SIPDIS

STATE FOR EUR/UMB, EEB/TPP/MTAA/ABT, COMMERCE FOR CLUCYK

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TAGS: ECON EAGR UP

SUBJECT: UKRAINIAN LAND SALE MORATORIUM ENDS, BUT
TRANSACTIONS REMAIN BLOCKED

REF: KYIV 2172

¶1. (U) Summary. President Yuschenko vetoed a bill that would have extended the moratorium on the sale of agricultural land through the end of 2011, allowing the ban to expire on January 1, 2010. As in past years, parliament is expected to make a strong push to overturn the veto. However, even should the moratorium end, free-market trading of agricultural land will still have to wait until a land registry (cadastre) law and a land market regulation law are passed. The lack of reform in the sector will continue to severely restrict what should be one of Ukraine's leading sectors, as reported in reftel. End summary.

¶2. (U) On December 29, 2009, President Yuschenko vetoed a measure, approved by the Verkhovna Rada (Ukraine's parliament) on December 22, 2009, that would have extended the moratorium on the sale of agricultural land another two years past its pre-set expiration date of January 1, 2010. He justified the veto by arguing that the extension would create further opportunities for corruption and abuse in the land market, and further slow Ukraine's agricultural development.

¶3. (U) This marks the third time Yuschenko has vetoed extensions of the moratorium. On December 31, 2006, he vetoed a measure extending the moratorium to January 1, 2008, but parliament overturned the veto on January 12, 2007. A later measure extended the moratorium to January 1, 2010. Yuschenko vetoed this legislation as well, but parliament overturned it on March 4, 2009. Parliament has 30 days in which to vote to overturn Yuschenko's latest veto. On January 5, 2010, Speaker of Parliament Volodymyr Lytvyn announced his intention to secure the votes to push the extension of the moratorium through.

¶4. (U) Staunchly opposed to the free trade of agricultural land, Speaker Lytvyn echoes the fears of Ukrainians who believe that unrestricted sale of land would benefit only those who have purchased land on the black market and want to legalize their holdings, and that the free market for agricultural land would be dominated by ultra-wealthy speculators seeking to buy land as an investment, pricing Ukrainian family farmers out of the market.

¶5. (SBU) Comment. Given Yuschenko's dismal level of political and popular support, it is highly likely that parliament will once again overturn his veto and extend the moratorium to January 1, 2012. Even should Lytvyn's override attempt fail, the required cadastre and market regulation laws do not have significant support in Parliament and are unlikely to be enacted in the foreseeable future. Unfortunately, the inability to legitimately sell agricultural land not only limits investment in the land, but

holds back the development of Ukraine's agricultural sector,
which currently makes up less than 7% of Ukraine's GDP.
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